



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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DOGM
MINERALS PROGRAM
FILE COPY

February 10, 1992

CERTIFIED RETURN RECEIPT

P 074 978 849

Mr. Terry Tilley
Plant Superintendent
American Gilsonite Company
Bonanza, Utah 84008

Dear Mr. Tilley:

Re: Conditional Approval, Permit Amendment, American Gilsonite Company (AGC),
Bonanza Operations, M/047/010, [ML 31934], Uintah County, Utah

The Division has completed its review of your amendment to add the Independent 30 mine site (I-30) to your existing permit. The Division is also in receipt of correspondence from State Lands and Forestry allowing the I-30 mining operation to proceed, pending finalization of your mine permit from this Division and the completion of an archeological survey of the area. The Division hereby conditionally approves of this proposed amendment to the Bonanza Operations subject to the approval of State Lands & Forestry. The amount of reclamation surety will not need to be changed in order to accommodate this amendment.

The rationale for this decision, with respect to the surety amount, is as follows:
Page 4a of the original MR-1 form received in 1984 lists 33 mine sites. These sites were described as having a disturbance of one acre per site. The revised page 4a (received 2-7-92) lists 34 mine sites which includes the I-30 addition and the reclaimed Little Emma 3 (LE-3). The Division officially released the LE-3 site from further reclamation requirements in a letter dated 6-15-88. This would give a current balance of 33 one-acre mine sites for the operations. Since this is the same as the original NOI, no adjustment of the surety amount on the basis of a variation in the disturbed area is required.

You have informed us of your intent to post an alternate form of surety within the near future. The surety estimate for the Bonanza Operations was scheduled for updating in 1990. The Division has escalated this amount to \$532,000 in 1997 dollars (surety estimate update enclosed). When you provide the new surety, please post it for the above amount.


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This surety will be scheduled for review again in 1997. Please provide the required revised surety within 60 days of your receipt of this notice, or no later than April 15, 1992.

As you are aware, the original MR-1 form for your operations contains conflicting information regarding the disturbed acreage associated with the different mine facilities. The Division requests that you provide the original MR-1 information in a format consistent with the current rules and Large Mining Notice of Intent form (Form LMO-NOI enclosed) no later than August 1, 1992. This reformatted information should clearly identify the disturbed areas associated with the mine sites, roads, plant facilities, residential facilities, etc. This information should be in a stand alone volume which allows for easy insertion of corrected or updated information. We feel that this reformatting will allow for more efficient processing and review of permitting actions for the Bonanza operations.

If you have any questions with regard to this letter please contact me, or Tony Gallegos of the Minerals staff. Thank you for your cooperation in this matter.

Sincerely,

A handwritten signature in cursive script, reading "D. Wayne Hedberg". The signature is written in dark ink and is positioned above the printed name and title.

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosures
cc: John Blake, State Lands & Forestry
Tony Gallegos, DOGM
M047010

SURETY ESTIMATE UPDATE**DRAFT****American Gilsonite Company (AGC)****Bonanza Operations****M/047/010****Uintah County****Prepared by Utah Division of Oil, Gas & Mining****Last Revision****2-7-92****DESCRIPTION:**

- Original estimate proposed by operator in 1984 was \$449,323
- Disturbed area described in 1984 reclamation estimate was **126.8 acres**
- Original estimate included 15% contingency & no escalation
- Board approved a \$500,000 bond in February 1985 (=> 1990 review)
- This estimate uses the 1984 subtotal of \$390,716 plus 10% as a base cost
- Disturbed area from 1990 annual report = **113 acres**
- Amendment of 12-19-91 to include Independent 30 minesite into plan
- Three minesites omitted, 1 reclaimed & 4 added to the 1984 permit listing
- Amendment does not increase total disturbed area associated with mine sites
- Original MR-1 Form contains conflicting acreages, AGC needs to clarify
- Escalation factors through 1990 are actual Means Historical Cost Indices

<u>CALCULATIONS</u>	<u>YR</u>	<u>ESCAL FACTOR</u>	<u>BOND AMOUNT</u>
$F = P(1 + i)^{**n}$	1984	0.0092	\$429,788
	1985	0.0290	\$442,252
F = Future Sum	1986	0.0210	\$451,539
P = Present Sum	1987	0.0195	\$460,344
i = Escalation Factor	1988	0.0181	\$468,676
n = number of periods	1989	0.0177	\$476,972
	1990	0.0077	\$480,645
Three Yr Average = 1.45	1991	0.0145	\$487,614
Used to Project 5 Yrs	1992	0.0145	\$494,684
Into the Future	1993	0.0145	\$501,857
From the Year 1992	1994	0.0145	\$509,134
	1995	0.0145	\$516,517
	1996	0.0145	\$524,006
	1997	0.0145	\$531,604
Updated Surety Amount Rounded (1997 \$)			<u><u>\$532,000</u></u>
Avg. cost per acre(126.8 acres)		\$4,196 per acre	